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GERLING GLOBAL REINSURANCE COMPANY

ANNUAL REPORT 1969

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Report of the Board of Directors

The Board of Directors of Gerling Global Reinsurance Company has pleasure in presenting to the Shareholders its report for the year ended December 31, 1969, the thirteenth year of the Company's operations.

During 1969 the gross premiums written increased by 5.6% to \$14,089,603 of which 73.6% or \$10,373,194 was retained for net account, an increase of 12.9% over 1968.

1969 was a disappointing year for the Canadian insurance industry, and this was reflected in the Company's experience which for the Canadian business resulted in an underwriting deficit of \$322,221 (1968: profit of \$55,323). A substantial part of this loss emanated from a number of large fire losses sustained in the Facultative Property Department.

The United States business continued to be satisfactory with a profit of \$136,714 (1968: \$174,208), as did the European portfolio with a profit of \$96,090 (1968: \$125,511) and other foreign business with a profit of \$36,631 (1968: loss of \$15,800).

After taking all expenses into account, the statutory net underwriting loss for the year amounted to \$393,155 against a profit of \$18,249 in 1968.

The continued strong cash flow generated from the Company's operations resulted in a growth of \$737,299 or 8.5% of the invested assets for a new record of \$9,412,098 at the year-end. Net investment income of \$511,866 represents an increase of 11.1% over 1968 and includes profits of \$71,667 from the sale of securities. During a year of very unfavourable market conditions the average return on the Investment Portfolio improved to 5.7% from 5.5%.

The investment and underwriting operations combined resulted in a net operating profit of \$187,226 (1968: \$612,221) after providing \$18,000 for income taxes.

The policyholders' surplus, after payment of dividends to Shareholders of \$284,840 and recording an increase in non-admitted ledger assets of \$273,959, stands at \$2,102,285 at December 31, 1969, compared with \$2,473,858 at December 31, 1968.

During the year 1969 Dr. Thomas Baer was appointed a member of the Board of Directors. Mr. Casten von Otter was elected President, Mr. Åke Brandin Executive Vice-President, and Mr. Fred Kallrath a Vice-President.

As of January 1, 1970, the Company's name was changed to Gerling Global Reinsurance Company to affirm the connection and close cooperation with the worldwide Gerling Insurance Group, Cologne, West Germany.

The Board of Directors expresses its thanks and appreciation to the Company's Officers and Staff for their efforts throughout the year.

On behalf of the Board,

Casten von Otter,
President

Global House



Board of Directors

DR. HANS GERLING, *Chairman of the Board*

President and Chief Executive Officer of the Gerling Group of Insurance Companies. Chairman of the Board of the Gerling Global Group of Insurance Companies.

NORMAN E. PHIPPS, Q.C.,

Vice-Chairman of the Board

Vice-Chairman of the Board of Gerling Global General Insurance Company. President and Vice-Chairman of the Board of Gerling Global Life Insurance Company. Director of Gerling Global Offices Inc., New York, U.S.A. Counsel to White, Bristol, Beck & Phipps, Toronto. Director, International Harvester Credit Corporation of Canada Limited.

BARON CASTEN von OTTER, K.St.J., *President*

President and Director of Gerling Global General Insurance Company. Director of Gerling Global Life Insurance Company, Gerling Global Offices Inc., New York, U.S.A.

DR. THOMAS BAER

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company, Gerling Global Offices Inc., New York, U.S.A., Gerling Global Reinsurance Company Ltd., London, England, Gerling Global Reinsurance Company of South Africa Ltd., Johannesburg, S.A.

D. S. BEATTY

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company, Coronation Credit Corporation Limited, United Stationery Company Limited, Spar Aerospace Products Limited, Bahamas-Caribbean Development Corporation Limited, Combined Engineered Products Limited, Grouse Mountain Resorts Limited, K-Vet Laboratories Limited, R. C. Baxter Properties Limited.

A. BRANDIN, *Executive Vice-President*

Executive Vice-President of Gerling Global General Insurance Company. Director and President of Gerling Service Corporation Limited, Gerling Global Offices Inc., New York, U.S.A.

J. M. R. CORBET

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company, Canada Permanent Trust Company, Mattagami Lake Mines Limited, United Accumulative Fund, United American Fund, United Venture Fund, United Horizon Fund.

R. W. FINLAYSON, M.A.

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company. President of Finlayson Enterprises Limited. Director of Industrial Adhesives Limited.

HON. LOUIS-P. GÉLINAS, M.B.E.

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company. Consultant to Geoffrion, Robert & Gélinas, Inc. Director of The Mercantile Bank of Canada, Canadian International Paper Company, First National City Bank Trust Board.

BRIG. GENERAL W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D.

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company, Gerling Insurance Group, Cologne, West Germany. Chairman of the Board of Grafton-Fraser Limited, Lowville Limited.

DR. G. LAUTENSCHLAEGER,

Vice-President and Manager

Director, Vice-President and Manager of Gerling Global General Insurance Company. Director, Vice-President and Treasurer of Gerling Global Life Insurance Company. Director, Vice-President and Manager of Global Investment Corporation Limited, Gerling World Organization Limited. Director, Vice-President of Gerling Global Offices Inc., New York, U.S.A.

H. E. LUMSDEN, B.C.E., P.ENG.

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company. Chairman, Lumsden Financial Enterprises Limited.

DR. PETER MEHLHORN

Director of Gerling Global General Insurance Company, Gerling Global Life Insurance Company, Gerling Global Reinsurance Company Ltd., London, England, Gerling Global Reinsurance Company of South Africa Ltd., Johannesburg, S.A.

Executive Officers

DR. HANS GERLING, *Chairman of the Board*

NORMAN E. PHIPPS, O.C.
Vice-Chairman of the Board

BARON CASTEN von OTTER, K.St.J.
President

A. BRANDIN
Executive Vice-President

DR. G. LAUTENSCHLAEGER
Vice-President and Manager

DR. ROLF R. KERN
Vice-President and Secretary-Treasurer

RALPH CARLSEN
Vice-President

F. KALLRATH
Vice-President

P. B. ANDERSEN
Assistant Vice-President



Global Reinsurance Company

Balance Sheet as at December 31, 1969

| | | \$ |
|---------------|--|-----------|
| Assets | Bonds—at amortized cost (quoted market value \$5,611,820) (Note 2) | 7,178,350 |
| | Stocks—at market value (cost \$1,733,748) (Note 2) | 1,440,775 |
| | Real Estate—at cost | 500,000 |
| | Cash | 194,091 |
| | Accrued interest and dividends | 117,085 |
| | Amounts due from retrocessionaires | 34,272 |
| | Amounts due from ceding companies | 478,115 |
| | Deposits with ceding companies | 146,487 |
| | Leasehold improvements (at cost less amortization) | 127,925 |

Signed on behalf of the Board:

N. E. Phipps, Director

Casten von Otter, Director

10,217,100

Auditors' Report to the Shareholders

We have examined the balance sheet of Global Reinsurance Company as at December 31, 1969, and the statements of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969, and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada applied on a basis consistent with that of the preceding year.

Toronto, February 26, 1970.

McDonald, Currie & Co.
Chartered Accountants

Liabilities

| | | | |
|---|-----------|-----------|--------------------------|
| | | | \$ |
| Provisions for— | | | |
| Unpaid claims and adjustment expenses | 2,610,327 | | |
| Unearned premiums at 80% | 1,236,366 | | |
| Unsecured balances due from unlicensed retrocessionaires | 34,227 | 3,880,920 | |
| Deposits withheld from unlicensed retrocessionaires | | 4,030,635 | |
| Amounts due to retrocessionaires | | 12,314 | |
| Amounts due to ceding companies | | 102,318 | |
| Accrued taxes | | 59,825 | |
| Accrued expenses | | 28,803 | |
| | | | <u>8,114,815</u> |
| CAPITAL STOCK AND SURPLUS | | | |
| CAPITAL STOCK (Note 3) | 1,850,000 | | |
| SURPLUS | 252,285 | | |
| POLICYHOLDERS' SURPLUS | | 2,102,285 | |
| | | | <u><u>10,217,100</u></u> |

Notes to the Financial Statements

- Assets and liabilities in foreign currencies have been converted at the rates prevailing at December 31, 1969.
- Bonds with a par value of \$1,039,000 and stocks with a market value of \$844,649 are held by ceding companies in escrow or under deposit agreements.
- Capital Stock

Authorized

1,000 5% cumulative non-voting Class A shares redeemable at the par value of \$100 each convertible to common on a share for share basis.

12,000 non-voting Class B shares with a par value of \$100 each.

10,000 common shares with a par value of \$100 each.

Issued and fully paid

| | | |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| 1,000 Class A shares | 100,000 | |
| 7,500 Class B shares | 750,000 | |
| 10,000 Common shares | <u>1,000,000</u> | <u>1,850,000</u> |
- Remuneration paid during the year to Directors and Senior Officers, as defined by The Corporations Act, amounted to \$105,499.
- Income taxes otherwise payable have been reduced by \$77,000 by the application of a loss carried forward from a prior year.

Statement of Operations

for the year ended December 31, 1969

| | | | |
|---|----------------|------------------|---------|
| | | | \$ |
| Gross premiums written | | 14,089,603 | |
| Premiums retroceded | | <u>3,716,409</u> | |
| Net premiums written | | 10,373,194 | |
| Decrease in provision for unearned premiums | | <u>36,458</u> | |
| Net premiums earned | | 10,409,652 | |
| Net claims and adjustment expenses incurred | 7,328,229 | | |
| Commissions | 3,063,481 | | |
| Premium taxes and other expenses | 263,438 | | |
| Salaries, fees and travelling expenses | <u>147,659</u> | 10,802,807 | |
| STATUTORY UNDERWRITING LOSS | | 393,155 | |
| FINANCIAL INCOME— | | | |
| Interest | 388,297 | | |
| Dividends | 67,516 | | |
| Profit on sale of investments | 71,667 | | |
| Interest on deposits | 212,712 | | |
| Rent | <u>30,550</u> | 770,742 | |
| Less— | | | |
| Interest paid on deposits | 127,988 | | |
| Investment and other expenses | <u>44,373</u> | <u>172,361</u> | 598,381 |
| OPERATING PROFIT BEFORE INCOME TAXES | | 205,226 | |
| Provision for income taxes (Note 5) | | <u>18,000</u> | |
| NET OPERATING PROFIT FOR THE YEAR | | <u>187,226</u> | |

Statement of Surplus

for the year ended December 31, 1969

| | | |
|--|--|----------------|
| | | \$ |
| BALANCE—DECEMBER 31, 1968 | | 623,858 |
| Net operating profit for the year | | <u>187,226</u> |
| | | 811,084 |
| Less | | |
| Net increase in non-admitted assets and provision for unsecured balances due from unlicensed retrocessionaires | | 273,959 |
| Dividends paid to shareholders | | <u>284,840</u> |
| | | 558,799 |
| BALANCE—DECEMBER 31, 1969 | | |
| (including contributions to surplus of \$1,900,000, arising from the issue of shares at a premium, less applicable dividends of \$686,675) | | <u>252,285</u> |

Portfolio of Investments

Bonds

| PAR VALUE \$ | DESCRIPTION | | MATURITY DATE | AMORTIZED BOOK VALUE \$ | YIELD % |
|--------------------|--|-------|------------------|-------------------------------|------------|
| 200,000 | Government of Canada, Treasury Bills | 7½% | 1970 | 348,740 | 7.50 |
| 100,000 | Government of Canada | 4¼% | 1972 | 94,250 | 7.53 |
| 50,000 | Government of Canada | 5½% | 1974 | 49,714 | 5.68 |
| 100,000 | Government of Canada | 5½% | 1976 | 101,064 | 5.26 |
| 50,000 | Government of Canada | 3¾% | 1978 | 49,176 | 4.01 |
| 25,000 | Government of Canada | 5¼% | 1990 | 24,348 | 5.48 |
| 50,000 | Province of Quebec | 4¾% | 1977 | 49,727 | 4.86 |
| 25,000 | Province of Quebec | 5½% | 1990 | 24,600 | 5.65 |
| 200,000 | Ontario Hydro | 9.20% | 1970 | 200,000 | 9.20 |
| 160,000 | Ontario Hydro | 4¾% | 1975 | 158,343 | 5.00 |
| 100,000 | Ontario Hydro | 5% | 1976 | 99,867 | 5.03 |
| 100,000 | Ontario Hydro | 5% | 1977 | 99,781 | 5.04 |
| 50,000 | Ontario Hydro | 4½% | 1978 | 48,588 | 5.00 |
| 100,000 | Ontario Hydro | 5% | 1978 | 99,294 | 5.12 |
| 100,000 | Ontario Hydro | 5% | 1983 | 97,660 | 5.29 |
| 50,000 | Ontario Hydro | 5¼% | 1985 | 49,742 | 5.29 |
| 100,000 | Ontario Hydro | 7% | 1992 | 99,312 | 7.07 |
| 35,000 | Quebec Hydro | 5% | 1980 | 34,485 | 5.22 |
| 50,000 | Quebec Hydro | 5¼% | 1986 | 48,902 | 5.50 |
| 210,000 | Quebec Hydro | 5% | 1995 | 196,625 | 5.52 |
| 75,000 | B.C. Electric | 5¼% | 1988 | 75,000 | 5.13 |
| 25,000 | Alberta Municipal Financing Corp. | 6¼% | 1989 | 24,793 | 6.33 |
| 200,000 | Alberta Municipal Financing Corp. | 6% | 1992 | 200,000 | 6.00 |
| 100,000 | Shawinigan Water & Power | 4¾% | 1976 | 97,404 | 5.35 |
| 160,000 | Metropolitan Toronto | 5% | 1977 | 160,636 | 4.93 |
| 30,000 | Metropolitan Toronto | 5½% | 1982 | 29,775 | 5.61 |
| 1,130,000 | Metropolitan Toronto | 5% | 1983 | 1,103,135 | 5.34 |
| 50,000 | City of Montreal | 7% | 1992 | 48,790 | 7.24 |
| 45,000 | Abitibi Paper | 6¼% | 1977 | 46,477 | 5.61 |
| 45,000 | Alberta Gas Trunk Line | 6½% | 1981 | 46,206 | 6.04 |
| 100,000 | Alliance Credit | 6¼% | 1985 | — | — |
| 50,000 | Bell Telephone | 6¼% | 1978 | 51,885 | 5.54 |
| 100,000 | Bell Telephone | 6½% | 1987 | 99,757 | 6.15 |
| 200,000 | Bell Telephone | 6¼% | 1988 | 200,429 | 6.23 |
| 100,000 | B.C. Forest Products | 6½% | 1992 | 97,800 | 6.71 |
| 50,000 | B.C. Telephone | 5¼% | 1983 | 49,067 | 5.51 |
| 30,000 | B.C. Telephone | 6¾% | 1991 | 29,869 | 6.41 |
| 100,000 | Calgary Power | 8½% | 1970 | 100,000 | 8.50 |
| 50,000 | Canada & Dominion Sugar | 5% | 1978 | 49,765 | 5.07 |
| 150,000 | Canadian Pacific Railway | 5% | 1983 | 146,692 | 5.29 |
| 50,000 | Consumers' Gas | 5% | 1978 | 49,647 | 5.12 |
| 594,000 | T. Eaton Acceptance | 6¾% | 1980 | 616,770 | 6.15 |
| 200,000 | T. Eaton Realty | 5% | 1978 | 198,118 | 5.16 |
| 20,000 | General Mortgage Service | 6% | 1973 | 19,400 | 6.65 |
| 150,000 | Imperial Oil | 8½% | 1970 | 150,000 | 8.50 |
| 100,000 | Gulf Oil | 8½% | 1989 | 99,762 | 8.53 |
| 220,000 | International Bank of Reconstruction | 6¼% | 1992 | 216,128 | 6.41 |
| 28,000 | Irving Oil | 6½% | 1981 | 28,725 | 6.12 |
| 100,000 | Loblaws Groceries | 6¾% | 1991 | 98,687 | 6.88 |
| 20,000 | Loblaws Leased Properties | 6¾% | 1985 | 20,688 | 6.31 |
| 235,000 | Salada Foods | 6% | 1977 | 236,748 | 5.84 |
| 50,000 | Simpsons-Sears Acceptance | 6¾% | 1980 | 51,958 | 6.15 |
| 12,000 | Steinberg Properties | 6% | 1984 | 11,908 | 6.10 |
| 187,000 | Steinberg Shopping Centres | 7% | 1985 | 193,977 | 6.45 |
| 25,000 | Traders Finance | 5¾% | 1979 | 24,925 | 5.80 |
| 200,000 | Traders Finance | 5¾% | 1981 | 199,832 | 5.76 |
| 200,000 | Traders Finance | 5¾% | 1983 | 202,333 | 5.59 |
| 2,000 | Trans-Canada Pipe Lines | 5% | 1989 | 2,046 | 4.80 |
| 125,000 | Union Gas | 7¾% | 1988 | 125,000 | 7.75 |
| | TOTAL BONDS | | | 7,178,350 | 5.99 |

Portfolio of Investments (cont.)

Real Estate:

| | \$ | % |
|-------------------|---------|------|
| Land—at cost..... | 500,000 | 5.50 |

Shares

| NO. OF SHARES | DESCRIPTION | (U.S.) \$ | COST (CAN.) \$ | YIELD % |
|------------------|--|--------------|----------------------|------------|
| 3,000 | Abitibi Paper..... | | 34,975 | 3.09 |
| 1,500 | Alcan Aluminium..... | | 43,813 | 4.45 |
| 1,000 | American Electric Power..... | 32,375 | | 5.25 |
| 600 | American Express..... | 42,038 | | 1.43 |
| 500 | American Smelting & Refining..... | 19,062 | | 4.98 |
| 1,000 | American Telephone & Telegraph..... | 66,915 | | 3.88 |
| 300 | Bank of America..... | 21,975 | | 3.00 |
| 2,000 | Bell Canada..... | | 95,453 | 5.24 |
| 1,000 | Bendix..... | 43,863 | | 3.65 |
| 500 | Bulova Watch..... | 19,937 | | 1.50 |
| 500 | Calgary Power 5.40 pfd..... | | 54,360 | 4.97 |
| 2,000 | Canadian Imperial Bank of Commerce..... | | 41,375 | 3.29 |
| 2,000 | Canadian Pacific Railway..... | | 42,682 | 3.75 |
| 600 | Chrysler..... | 35,963 | | 3.34 |
| 1,500 | Cominco..... | | 53,638 | 3.91 |
| 1,000 | Dominion Foundries & Steel..... | | 21,450 | 3.73 |
| 1,000 | Eastern Utilities..... | 26,250 | | 5.33 |
| 500 | General Dynamics..... | 23,375 | | 2.14 |
| 1,000 | General Foods..... | 86,950 | | 2.99 |
| 1,000 | Inland Steel..... | 40,162 | | 4.98 |
| 1,500 | International Nickel..... | | 64,088 | 3.27 |
| 1,500 | Iowa Public Service..... | 39,137 | | 5.06 |
| 1,000 | Monsanto..... | 71,651 | | 2.51 |
| 1,400 | National Lead..... | 49,613 | | 3.67 |
| 500 | New York Times..... | 27,000 | | 1.11 |
| 500 | Owens-Corning Fiberglass..... | 44,487 | | 1.57 |
| 500 | Oshawa Wholesale..... | | 17,509 | 0.63 |
| 1,000 | R. J. Reynolds Tobacco..... | 63,700 | | 3.77 |
| 1,000 | Rothmans of Pall Mall 6.85 pfd..... | | 100,000 | 6.80 |
| 2,000 | Southern Company..... | 55,688 | | 4.31 |
| 400 | Standard Oil (Ind.)..... | 24,600 | | 3.74 |
| 400 | Standard Oil (N.J.)..... | 31,850 | | 4.71 |
| 1,500 | Texaco Canada..... | | 44,481 | 2.97 |
| 2,000 | Union Gas..... | | 33,875 | 3.07 |
| 1,000 | U.S. Plywood Champion Paper..... | 32,125 | | 2.61 |
| 1,700 | United States Steel..... | 88,050 | | 4.63 |
| 500 | Zale..... | 24,688 | | 1.30 |
| | | 1,011,454 | 647,699 | |
| | Exchange adjustment to Canadian Funds..... | 74,595 | | |
| | | 1,086,049 | | |
| | TOTAL SHARES..... | | 1,733,748 | 3.64 |
| | TOTAL PORTFOLIO—AT COST..... | | 9,412,098 | 5.52 |
| | Adjustment to statement value..... | | 292,973 | |
| | GRAND TOTAL..... | | 9,119,125 | |

The Gerling Global Insurance Companies

All Classes of Insurance and Reinsurance



GERLING GLOBAL GENERAL INSURANCE COMPANY
GERLING GLOBAL LIFE INSURANCE COMPANY
GERLING GLOBAL REINSURANCE COMPANY

Consolidated Group Information

as at December 31, 1969

| | 1969 | 1967 | 1965 | 1963 | 1961 | 1959 |
|---|-------------|-------------|-------------|-------------|-------------|------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| CAPITAL PAID-UP (including original contributions to surplus) . . . | 10,280,000 | 10,280,000 | 10,280,000 | 10,050,000 | 7,450,000 | 3,750,000 |
| SURPLUS FOR THE PROTECTION OF POLICYHOLDERS | 6,446,000 | 6,185,000 | 6,786,000 | 6,028,000 | 6,516,000 | 2,914,000 |
| ADMITTED ASSETS | 54,921,000 | 45,483,000 | 37,995,000 | 40,212,000 | 32,943,000 | 21,240,000 |
| INVESTED ASSETS at cost | 26,346,000 | 21,894,000 | 18,482,000 | 21,257,000 | 18,120,000 | 8,311,000 |
| NET PREMIUMS written | 24,489,000 | 22,013,000 | 21,187,000 | 18,432,000 | 14,654,000 | 9,600,000 |
| Gerling Global General Insurance Company | 9,707,000 | 8,701,000 | 7,825,000 | 7,904,000 | 6,439,000 | 4,429,000 |
| Gerling Global Reinsurance Company | 10,373,000 | 9,763,000 | 9,338,000 | 6,856,000 | 6,005,000 | 3,583,000 |
| Gerling Global Life Insurance Company | 4,409,000 | 3,549,000 | 4,024,000 | 3,672,000 | 2,210,000 | 1,588,000 |
| LIFE INSURANCE IN FORCE | 396,558,000 | 409,713,000 | 355,753,000 | 280,524,000 | 170,973,000 | 86,936,000 |

